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SUBJECT: DISCUSSIONS WITH HUNGARIAN FOREIGN AFFAIRS EXPERTS

REF: STATE 145463 (NOTAL) CONFIDENTIAL

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1. SUMMARY: GYULA GYOVAI, DIRECTOR OF THE HUNGARIAN INSTITUTE ON FOREIGN RELATIONS, AND GYULA BOGNAR, EDITOR OF THE INSTITUTE'S QUARTERLY MAGAZINE, DEVOTED JUNE 13 TO DISCUSSIONS IN WASHINGTON WITH US OFFICIALS. GYOVAI AND BOGNAR WERE MOST INTERESTED IN DISCUSSING THE EFFECTS OF THE CURRENT DOWNTURN IN US-SOVIET RELATIONS ON US POLICY TOWARD THE COUNTRIES OF EASTERN EUROPE AND THE CONVERSATIONS TURNED FREQUENTLY TO THE SOVIET-CUBAN ROLE IN AFRICA. GYOVAI SUBTLY BUT REPEATEDLY EMPHASIZED HUNGARY'S

NATIONAL INTERESTS AND DOWNGRADED THE IMPORTANCE OF CEMA COOPERATION. OTHER SUBJECTS INCLUDED CSCE; EUROCOMMUNISM; REPORTED DIVISIONS BETWEEN BRZEZINSKI AND VANCE; HUNGARIAN-ROMANIAN RELATIONS AND RECENT HUNGARIAN DOMESTIC DEVELOPMENTS.

2. GYOVAI AND BOGNAR HAD A LONG DAY OF APPOINT-ENTS WITH STATE DEPARTMENT AND ICA OFFICIALS ON

JUNE 13. IN THE MORNING THEY MET WITH JACK SCANLAN, DEPUTY DIRECTOR FOR EUROPE, ICA; NICHOLAS G. ANDREWS, DIRECTOR, OFFICE OF EASTERN EUROPEAN AFFAIRS; AND CSANAD TOTH, SPECIAL ASSISTANT FOR POLICY PLANNING TO THE ASSISTANT SECRETARY FOR INTERNATIONAL ORGANIZATION AFFAIRS. INR OFFICERS HOSTED A SMALL LUNCHEON FOR THEM AT KENNEDY CENTER. IN THE AFTERNOON THEY MET FOR AN HOUR WITH ANTHONY LAKE, DIRECTOR, POLICY PLANNING STAFF AND THEN PARTICIPATED IN A ROUND-TABLE DISCUSSION WITH OFFICERS FROM INR AND EUR.

3. DURING THEIR MEETING WITH ANDREWS GYOVAI SAID THAT HE WANTED TO COMPARE THE CURRENT VIEWS OF US OFFICIALS CONFIDENTIAL

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WITH THOSE HE HAD HEARD DURING HIS VISIT IN 1976. HE EXPRESSED PARTICULAR INTEREST IN DISCUSSING US POLICY TOWARD EASTERN EUROPE AND THE WAYS IN WHICH US-SOVIET RELATIONS MIGHT AFFECT THAT POLICY. THAT SUBJECT WAS THE THEME OF THE ENTIRE DAY'S DISCUSSIONS.

- 4. ANDREWS TOLD THEM THAT THE CARTER ADMINISTRATION HAS HAD A MORE ACTIVE POLICY TOWARD EASTERN EUROPE THAN ITS PREDECESSORS. WE HAVE MADE GOOD PROGRESS IN OUR RELATIONS WITH HUNGARY, AND WE HAVE "ONTINUED OUR RELATIVELY GOOD RELATIONS WITH ROMANIA AND POLAND. WE HAVE MADE SOME IMPROVEMENT IN OUR RELATIONS WITH BULGARIA. A TRADE AGREEMENT WITH BULGARIA WOULD RAISE OUR RELATIONS TO A HIGHER LEVEL, BUT WE ARE NOT SURE WHEN WE COULD MOVE AHEAD ON IT. RELATIONS WITH CZECHOSLOVAKIA ARE BAD AND IMPROVEMENT IS BLOCKED BY THE CLAIMS-GOLD PROBLEM. FURTHER IMPROVEMENT OF BILATERAL RELATIONS WITH THE GDR IS BLOCKED BY DIFFICULTIES WITH THE CONSULAR CONVENTION, BUT THERE HAVE BEEN SOME FAVORABLE DEVELOPMENTS SUCH AS THE DRESDEN ART EXHIBIT NOW AT THE NATIONAL GALLERY.
- 5. GYOVAI TOLD ANDREWS HE DETECTED A NEW ELEMENT IN US POLICY: EVEN THOUGH US-SOVIET RELATIONS HAVE WORSENED, RELATIONS WITH EASTERN EUROPEAN COUNTRIES IN GENERAL, AND US-HUNGARIAN RELATIONS IN PARTICULAR, HAVE NOT BEEN AFFECTED YET. NEVERTHELESS, HE WONDERED HOW LONG THIS COULD CONTINUE. THE US-SOVIET

RELATIONSHIP IS THE BASIS OF INTERNATIONAL RELATIONS. FURTHER DETERIORATION MIGHT AFFECT US RELATIONS WITH THE EASTERN EUROPEANS. ANDREWS NOTED THAT HARMONIZATION OF EE FOREIGN POLICIES MIGHT ALSO LIMIT WHAT THE US COULD DO WITH INDIVIDUAL EE'S. THE US HAS ACHIEVED

A LOT BY TREATING THE EE'S AS INDEPENDENT NATIONS. WE HOPE TO ACHIEVE ENOUGH SO THAT IT WILL NOT BE CONFIDENTIAL

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IN THE INTERESTS OF THE EE'S TO REVERSE THIS TREND. WE ARE NOT TRYING TO USE OUR RELATIONS WITH THE EE'S IN AN ANTI-SOVIET WAY.

6. THE SOVIETS AND CUBANS IN AFRICA: THIS SUBJECT WAS RAISED SEVERAL TIMES DURING THE DAY'S CONVERSATIONS. GYOVAI SAID THE HUNGARIANS FULLY SHARE US VIEWS THAT POLI-TICAL SOLUTIONS ARE REQUIRED IN AFRICA. BUT SOMETIMES. AS IN ANGOLA, THE NEWLY INDEPENDENT NATIONS MUST ASSERT AND SECURE THEIR INDEPENDENCE BEFORE POLITICAL SOLUTIONS CAN BE ACHIEVED. THE SITUATION COULD BE EASED IF THE US WOULD TRY TO UNDERSTAND THE CUBAN POSITION. ANGOLA WAS THREATENED BY SOUTH AFRICAN MILITARY ACTIONS. IT APPEALED FOR HELP. CUBA MADE THE ONLY USEFUL RESPONSE BY SENDING MILITARY SUPPORT. HAD THE US AND UK FOUND POLITICAL SOLUTIONS TO THE PROBLEMS OF SOUTHERN AFRICA FIFTEEN YEARS AGO, AFRICA WOULD NOT NOW BE AN ARENA FOR GLOBAL POLITICS. BOGNAR SAID THE HUNGARIANS DO NOT UNDERSTAND WHY THE POSITIONS OF THE SOVIET UNION AND CUBA SHOULD WORRY THE UNITED STATES NOR DO THEY UNDERSTAND HOW THIS WORRY COULD HAVE GOTTEN LINKED TO DETENTE. SOVIET AND CUBAN POLICIES TOWARD AFRICA HAVE NOT CHANGED IN RECENT YEARS. THE ONLY NEW ELEMENT IS THE PRESENCE OF CUBAN SOLDIERS IN KEEPING WITH THE POLICY OF TRYING TO SPEED UP DECOLONIZATION. HUNGARY IS VERY CONCERNED ABOUT THE US POLICY OF LINKING AFRICA WITH DETENTE.

7. LAKE LAID OUT IN DETAIL US POLICY TOWARD AFRICA. THE US LOOKS AT AFRICAN PROBLEMS IN TERMS OF THE AFRICAN SITUATION. WE HAVE WORKED WITH THE AFRICANS TO REACH SETTLEMENTS IN RHODESIA AND NAMIBIA. WE HAVE INCREASED ECONOMIC ASSISTANCE. WEAPONS AND TROOPS SHOULD NOT BE CONFIDENTIAL

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INTRODUCED, BUT WE WILL SEND WEAPONS IF AND WHEN WE DEEM IT NECESSARY TO DO SO. EXTERNAL MILITARY INTER-VENTION, BOTH IN ANGOLA AND IN ERITREA HAVE EXACERBATED PROBLEMS. NETO COULD TAKE A GREAT STEP FORWARD BY FINDING A ROLE FOR THE MPLA IN THE ANGOLAN GOVERNMENT.

IN A LATER CONVERSATION ANOTHER USG OFFICIAL POINTED OUT THAT IT IS PRECISELY THE CUBAN TROOPS THAT ARE THE PROBLEM. IT IS UNHELPFUL TO COMPETE BY MILITARY FORCE.

8. EUROCOMMUNISM: DURING THE ROUND-TABLE GYOVAI WAS ASKED TO COMMENT ON EUROCOMMUNISM. HE SAID THAT EACH PARTY MUST WORK OUT ITS OWN STRATEGY. THERE IS NO COMMON STRATEGY THAT COULD UNITE THE WESTERN

EUROPEAN PARTIES. BUT THOSE PARTIES SHARE CERTAIN PRINCIPLES. EACH WILL ACHIEVE SOCIALISM IN A DIFFERENT WAY. EACH WILL LEARN FROM MISTAKES MADE BY PARTIES ALREADY IN POWER. ALL WOULD LIKE TO WORK OUT COMMON SOLUTIONS TO COMMON PROBLEMS, BUT LITTLE PROGRESS HAS BEEN MADE ON THIS. THE HSWP SEES ALL THESE PARTIES AS FRATERNAL PARTIES, IN-CLUDING THE SPANISH PARTY. HE WAS ASKED WHETHER THIS ATTITUDE TOWARD THE SPANISH PARTY IS DIFFERENT FROM THAT OF THE CPSU. HE EXPLAINED THAT THE HSWP HAS BEEN IN A UNIQUE POSITION SINCE 1968 WHEN A MEETING OF ALL THE EUROPEAN PARTIES WAS HELD IN BUDAPEST. AT THAT TIME THE HSWP ESTABLISHED CLOSE LINKS WITH WESTERN EUROPEAN PARTIES. THOSE LINKS CONTINUE TO FACILITATE EXCHANGES OF VIEWS. THE SOVIET UNION HAS BEEN THE PRINCIPAL TARGET OF CRITI-CISM FROM THE SPANISH PARTY. GYOVAI THOUGHT THAT SOME CPSU LEADERS MAY HAVE A DIFFERENT TEMPERAMENT THAN KADAR. IN ANY CASE, A SERIOUS DEBATE HAS BEEN GOING ON WITHIN THE HSWP ON THE POSITION OF AND RELATIONS WITH THE SPANISH PARTY. GYOVAI DID NOT SEE THE POSSI-CONFIDENTIAL

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BILITY OF A WORLD PARTY CONFERENCE DURING THE NEXT YEAR OR TWO, BUT HE THOUGHT THAT SOCIAL TRENDS MIGHT MAKE SUCH A CONFERENCE POSSIBLE WITHIN TWO OR THREE YEARS. HE NOTED THAT EVEN IF SUCH A CONFERENCE BECOMES POSSIBLE IT MAY NOT BE NECESSARY. IF IT IS HELD, THE VIEWS OF EACH PARTICIPANT SHOULD BE MADE CLEAR BEFORE THE CONFERENCE BEGINS.

9. CSCE: GYOVAI SAID THAT THE GREATEST SIGNIFICANCE
OF THE BELGRADE CONFERENCE IS THAT IT WAS HELD AND
CONCLUDED. HUNGARY LEARNED FROM BELGRADE THAT PROBLEMS
SHOULD BE DISCUSSED BEFORE A CONFERENCE, NOT AT THE
CONFERENCE. NOW IS THE TIME TO START PREPARATION FOR
MADRID. HUNGARY WILL BEGIN SOME DISCUSSIONS THIS YEAR
ON SCIENCE COOPERATION WHICH IT SEES AS A PROMISING FIELD.

10. CHURCH-STATE RELATIONS: GYOVAI WAS ASKED WHAT HAD PROMPTED THE IMPROVEMENT IN CHURCH-STATE RELATIONS THAT HAS OCCURRED IN SEVERAL EE'S DURING THE PAST YEAR.

HE REPLIED THAT EACH COUNTRY HAS A UNIQUE SITUATION, SO IT IS DIFFICULT TO SPEAK OF THIS AS A SINGLE SUBJECT. GYOVAI FELT THAT THE CHURCHES, PARTICULARLY THE CATHOLIC CHURCHES, MAY HAVE BEEN GIVEN MORE LEEWAY BY THEIR CENTRAL AUTHORITIES TO TRY TO REACH ACCOMODATION WITH EE GOVERNMENTS.

11. THE HUNGARIAN DOMESTIC SITUATION: GYOVAI NOTED THAT A CC MEETING HAD BEEN HELD A FEW WEEKS AGO AND REVIEWED

HAS ACHIEVED A GOOD WORKING RELATIONSHIP WITH THE INTELLECTUAL COMMUNITY AND HAS WORKED OUT AN UNDERSTANDING WITH CHURCH LEADERS. GYOVAI NOTED THAT WORLD MARKET TRENDS HAVE HAD A BAD IMPACT ON THE HUNCONFIDENTIAL.

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GARIAN ECONOMY, BUT THE HUNGARIAN STANDARD OF LIVING HAS BEEN PROTECTED BY SUBSIDIES FROM GOVERNMENT RESERVES. PRICES WILL CONTINUE TO RISE TO ELIMINATE THE SUBSIDIES, BUT THE PRICE INCREASE WILL BE CUSHIONED BY ADVANCE ANNOUNCEMENTS, BY IMPROVED QUALITY, AND BY INCREASES IN WAGES. GYOVAI SAID HUNGARY HAS ALSO BENEFITTED BECAUSE THE SOVIETS HAVE PURCHASED HUNGARIAN MEAT FOR HARD CURRENCY SINCE THAT MEAT WAS EXCLUDED BY THE EC. HUNGARY ALSO RECEIVED HARD CURRENCY PAYMENTS OR CREDITS FOR DELIVERY OF HARD GOODS AND FOR ABOVE PLAN DELIVERIES TO THE SOVIET UNION. GYOVAI THOUGHT THIS ARRANGEMENT WAS UNIQUE TO HUNGARY. HUNGARY WILL CONTINUE ITS PROGRAM OF ECONOMIC REFORM. WHEN ASKED HOW HUNGARY'S FLEXIBLE PRICES AND OTHER ECONOMIC REFORMS WILL AFFECT CEMA ECONOMIC COOPERA-TION, GYOVAI RESPONDED THAT HUNGARY DOES WHAT IT CONSIDERS NECESSARY. OTHER COUNTRIES WILL HAVE TO DO WHAT THEY CONSIDER NECESSARY, BUT THAT IS NOT HUNGARY'S CONCERN. GYOVAI SAID HUNGARY'S TWO MOST IMPORTANT SOCIAL PROBLEMS ARE THE SCARCITY OF HOUSING FOR YOUNG FAMILIES AND THE FACT THAT TWO MILLION HUNGARIANS ARE RECEIVING PENSIONS.

12. HUNGARIAN-ROMANIAN RELATIONSHIP: GYOVAI SAID HUNGARIAN-ROMANIAN RELATIONS ARE NOT BAD BUT COULD BE BETTER. BILATERAL TRADE RELATIONS ARE VERY GOOD WITH TWO-WAY TRADE STEADILY INCREASING. A ROMANIAN SOLUTION MUST BE FOUND FOR THE MINORITY PROBLEM, BUT HUNGARY IS CONCERNED ABOUT THE TWO MILLION HUNGARIANS WHO LIVE IN ROMANIA. THE KADAR-CEAUCESCU MEETING LAST YEAR LED TO A SMALL STEP FORWARD, BUT DIFFICULTIES REMAIN BECAUSE THE TWO SIDES DO THINGS DIFFERENTLY. ASKED IF TEMPORARY WORKERS FROM ROMANIA MIGHT PROVIDE A REMEDY TO HUNGARY'S LABOR SHORTAGE. GYOVAI SAID THAT IN THEORY, THIS WAS A GOOD IDEA BUT HE THOUGHT THE ROMANIAN GOVERNMENT WOULD NEVER AGREE TO SUCH A PROPOSAL. GYOVAI ALSO SAID THAT USG INTERVENTION IN THIS ISSUE BETWEEN HUNGARY AND ROMANIA WOULD BE THE WORST POSSIBLE COURSE.

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13. RELATIONS WITH THE WEST: GYOVAI SAID HUNGARY HAS RAISED THE LEVEL OF ITS RELATIONS WITH WESTERN EUROPE AND THE US SINCE BELGRADE. THE FRG WILL CONTINUE TO BE HUNGARY'S MOST IMPORTANT WESTERN PARTNER. THE KADAR-

SCHMIDT SUMMIT WORKED OUT AN OUTLINE OF BILATERAL ECONOMIC RELATIONS. DEVELOPMENT OF THOSE RELATIONS DEPENDS UPON HUNGARY'S ABILITY TO PRODUCE GOODS THAT WILL BE COMPETITIVE IN THE FRG.

14. US FOREIGN POLICY: GYOVAI TOLD TONY LAKE THAT EUROPEANS HAVE THE FEELING THAT KISSINGER GAVE MORE THOUGHT TO LONG RANGE PROBLEMS, WHILE THE CARTER ADMINISTRATION PAYS MORE ATTENTION TO SHORT RANGE ISSUES. LAKE REPLIED THAT THE CARTER ADMINISTRATION HAS GIVEN A GREAT DEAL OF ATTENTION TO ISSUES THAT ARE INHERENTLY LONG-RUN, SUCH AS NON-PROLIFERATION, ARMS CONTROL, DISARMAMENT, ENERGY, ECONOMIC DEVELOPMENT AND HUMAN RIGHTS. PROGRESS IN THESE AREAS TENDS TO BE SLOW, BUT IS ESSENTIAL BECAUSE OF FAR REACHING EFFECTS ON THE INTER-NATIONAL SYSTEM. GYOVAI ASKED WHETHER THERE IS A DIVISION OF LABOR BETWEEN BRZEZINSKI AND VANCE. HE NOTED THAT BRZEZINSKI WENT TO CHINA RECENTLY WHILE VANCE WENT TO MOSCOW AND THAT BRZEZINSKI TAKES A HARDER LINE THAN VANCE ON RELATIONS WITH THE SOVIETS. LAKE SAID THAT THERE IS NO DIVISION OF LABOR AND THAT POLICY DIFFERENCES BETWEEN VANCE AND BRZEZINSKI ARE GREATLY EXAGGERATED IN THE US PRESS. JOURNALISTS TEND TO EMPHASIZE THE HARDER STATEMENTS MADE BY BRZEZINSKI AND THE SOFTER ONES MADE BY VANCE. A CAREFUL READING OF THEIR POLICY STATEMENTS WOULD SHOW THAT THERE ARE NO SIGNIFICANT POLICY DIFFERENCES. CONFIDENTIAL

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15. ON JUNE 14, GYOVAI AND BOGNAR TOOK PART IN A ROUND-TABLE DISCUSSION CHAIRED BY PROFESSOR ANDREW GYORGY AT GEORGE WASHINGTON UNIVERSITY'S INSTITUTE FOR SINO-SOVIET RELATIONS, AND THEN MET EUR/EE OFFICERS FOR LUNCH.
BEFORE THEIR RETURN TO BUDAPEST, THEY WILL SPEND TIME IN NEW YORK WHERE THEY WILL MEET WITH MEMBERS OF THE COUNCIL ON FOREIGN RELATIONS. DEPARTMENT ALSO IS ATTEMPTING TO ARRANGE VISIT FOR THEM AT PRINCETON UNIVERSITY. VANCE

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